

John Hoeven, Governor  
Carol K. Olson, Executive Director

## MEMORANDUM

**TO:** ND Medicaid Pharmacy Providers

**FROM:** Brendan K. Joyce, PharmD  
Administrator, Pharmacy Services



**DATE:** July 20, 2007

**RE:** AMP – New Federal Upper Limits

The Deficit Reduction Act of 2005 made significant changes in the Federal Upper Limit (FUL) program. The FUL program is essentially a MAC (maximum allowable cost) program for Medicaid. The previous FUL methodology waited until at least two generics were available for a drug, and then calculated the FUL at 2.5 times the Average Wholesale Price (AWP) of the lowest priced product. This methodology was slow to respond to new generics and depended upon AWP, so state Medicaid agencies saw very little cost savings.

In 2003, ND Medicaid stopped using the FUL program and switched to a MAC list similar to private insurance. The savings from this were significant compared to the FUL program and we paid rates that were already accepted by pharmacies throughout the state.

The FUL program has and will continue to have an option for states to not use the FUL pricing as long as the state pays less, in the aggregate, than the FUL. This is what ND Medicaid has done since 2003 and will continue to do going forward. We are hopeful that we will continue to save more with our MAC pricing than we would with the FUL program.

Also, by not using the FUL prices, we will be able to ensure we always pay above acquisition for the drugs (some analyses have shown that some of the new FUL prices will be below a typical pharmacy's acquisition) and it will allow us to be more responsive to market changes (the FUL pricing will lag up to 3 months behind the market).

Overall, pharmacies should not notice any changes when the new FUL program is launched across the country – the ND Medicaid MAC program will remain structurally the same as it has been since 2003. The goal of our State MAC program has been, and will continue to be, paying generic drugs at an appropriate rate to provide an incentive to pharmacies to use generics whenever possible. As always, if there are any problems with our MAC prices, please don't hesitate to contact me at [sojoyb@nd.gov](mailto:sojoyb@nd.gov) or 701-328-4023.